

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2009

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MORMON TRAIL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Jan Lundahl	President	2009
Pat Evans	Board Member	2008
Michiko Fogle	Board Member	2008
Brad Funk	Board Member	2009
Randy Smith	Board Member	2010

Board of Education

(After September 2008 Election)

Jan Lundahl	President	2009
Brad Funk	Board Member	2009
Pat Evans	Board Member	2011
Scott Burgmeyer	Board Member	2011
Randy Smith	Board Member	2010

School Officials

Tucker Lillis	Superintendent	Indefinite
Linda Lovett	District Secretary/Treasurer and Business Manager	Indefinite

STEPHANIE MENDENHALL CPA, P.C.
217 Broad Street
P.O. Box 220
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report

To the Board of Education of
Mormon Trail Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District, Humeston, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 16, 2009 on my consideration of Mormon Trail Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 9 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mormon Trail Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mormon Trail Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,808,658 in fiscal 2008 to \$2,789,218 in fiscal 2009, while General Fund expenditures increased from \$2,858,253 in fiscal 2008 to \$3,016,542 in fiscal 2009. The District's General Fund balance decreased from \$343,816 in fiscal 2008 to \$116,492 in fiscal 2009, a 66% decrease.
- General Fund expenditures increased because of several items. Energy costs for transportation and utilities greatly increased. Instruction costs increased because of additional open enrolled out students being staffed in special education programs. Negotiated salaries and benefits were greater than the District's increase in General Fund revenues. As a result the District funded these additional expenditures from carryover fund balances.
- A decrease in interest rates and investable balance during the past year resulted in interest earnings in the General Fund decreasing from \$20,057 in fiscal 2008 to \$5,348 in fiscal 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mormon Trail Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mormon Trail Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mormon Trail Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-1
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 2,887	\$ 2,557	\$ 47	\$ 41	\$ 2,934	\$ 2,598	12.90%
Capital assets	\$ 1,897	1,990	25	31	1,922	2,021	-4.90%
Total assets	4,784	4,547	72	72	4,856	4,619	5.10%
Long-term liabilities	\$ 535	669	-	-	535	669	-20.00%
Other liabilities	\$ 2,165	1,531	1	1	2,166	1,532	39.20%
Total liabilities	2,700	2,200	1	1	2,701	2,201	22.70%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,222	1,209	25	31	1,247	1,240	0.60%
Restricted	\$ 760	845	-	-	760	845	-10.10%
Unrestricted	\$ 102	293	46	40	148	333	-55.60%
Total net assets	2,084	2,347	71	71	2,155	2,418	-10.90%

The District's combined net assets decreased by nearly 11% or approximately \$271,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$85,000 over the prior year in PPEL Fund. The decrease was primarily a result of increased spending.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$193,000. This reduction in unrestricted net assets was a result of the District using carryover fund balances to meet its financial obligations during the year.

Figure A-2 shows the change in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-2
Changes in Net Assets
(Expressed in Thousands)

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for service	\$ 72	158	50	44	122	202	-39.60%
Operating grants, contributions and restricted interest	594	516	87	81	681	597	14.10%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	1,005	978	-	-	1,005	978	2.80%
Income surtax	110	101	-	-	110	101	8.90%
Local option sales and service tax	157	167	-	-	157	167	-6.00%
Unrestricted intermediate grants	-	-	-	-	-	-	-
Unrestricted state grants	1,113	1,295	-	-	1,113	1,295	-14.10%
Unrestricted investment earnings	16	46	-	1	16	47	-66.00%
Other	84	39	-	-	84	39	115.00%
Total revenues	3,151	3,300	137	126	3,288	3,426	-4.00%
Program expenses:							
Governmental activities:							
Instruction	2,132	1,961	-	-	2,132	1,961	8.70%
Support services	1,059	1,073	-	-	1,059	1,073	-1.30%
Non-instructional programs	-	2	137	146	137	148	-7.40%
Other expenses	223	143	-	-	223	143	56.00%
Total expenses	3,414	3,179	137	146	3,551	3,325	6.80%
Change in net assets	(263)	121	-	(20)	(263)	101	

In fiscal 2009, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$3.28 million of which \$3.143 million was for governmental activities and \$137,000 was for business type activities

As shown in Figure A-2 the District as a whole experienced a 4.3% decrease in revenues and a 6.8% increase in spending. Increases in property taxes and operating grants and contributions did not offset a decrease in state grants. The increase in expenses are due to higher energy costs, instruction costs and increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,150,973 and expenses were \$3,413,727 for the year ended June 30, 2009. In a difficult budget year, the District was not able to balance the budget.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	Change			Change		
	2009	2008	2008-2009	2009	2008	2008-2009
Instruction	\$ 2,132	1,961	8.70%	\$ 1,644	1,416	16.10%
Support services	1,059	1,073	-1.30%	986	1,047	-5.80%
Non-instruction	-	-	-	-	-	-
Other expenses	223	143	56.00%	118	40	195.00%
Total	3,414	3,177	7.46%	2,748	2,503	9.79%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$71,768.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$593,796.
- The net cost of governmental activities was financed with \$1,271,955 in property and other taxes and \$1,113,493 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$136,771, representing an 8% increase over the prior year, while expenses totaled \$137,407 a 6% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District increased meal prices. There was an increase in the number of students qualifying for free and reduced priced meals, and an increase in total meals served.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mormon Trail Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$861,914 below last year's ending fund balances of \$1,169,183. The primary reason for the decrease in combined fund balance is due to increased expenditures in the General Fund and Physical Plant and Equipment Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Increased property taxes did not offset the decrease in state grants resulting in decreased revenues. Increased General Fund expenditures required the District to use carryover fund balances to meet its financial obligations during the year.

- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$277,516 in fiscal 2008 to \$192,397 in fiscal 2009. A roof replacement at a cost of \$60,000 and bus leases of \$55,000 were additional expenditures in 2009.
- The Capital Projects Fund balance increased from \$447,353 in fiscal 2008 to \$454,645 in fiscal 2009 even after \$154,000 was transferred to Debt Service for bond repayments. In fiscal 2009, \$149,000 will be transferred to Debt Service for bond and interest payments.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$71,654 at June 30, 2008 to \$70,948 at June 30, 2009, representing a decrease of approximately .1%. Meal prices were increased and more breakfasts were served. Depreciation of \$5,820 caused an overall reduction in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$182,518 less than budgeted receipts. The most significant variance resulted from the District receiving less in tuition and other local revenue and state aid than originally anticipated. These decreases were not offset by an increase in federal aid.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$1.922 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 4.9% from last year. More detailed information about the District's capital assets presented in Note 5 to the financial statements. Depreciation expense for the year was \$92,461.

The original cost of the District's capital assets was \$3.75 million. Governmental funds account for \$3.6 million, with the remainder of \$.15 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 16	16	-	-	16	16	-
Buildings	1,833	1,888	-	-	1,833	1,888	-2.90%
Furniture and equipment	48	86	25	31	73	117	-37.60%
Total	1,897	1,990	25	31	1,922	2,021	-4.90%

Long-Term Debt

At June 30, 2009, the District had \$665,000 in general obligation debt outstanding and \$14,267 in capital lease financing. This represents a decrease of approximately 17% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amounts of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$3 million.

Figure A-5
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District June 30,		Total Change June 30, 2008-2009
	2009	2008	
General obligation bonds	\$ 655,000	775,000	-15.50%
Capital lease financing	14,267	27,567	-48.30%
	<u>\$ 669,267</u>	<u>802,567</u>	<u>-16.60%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Phase I funding was eliminated by the legislature for fiscal year 2010. This will reduce revenues by \$60,000.
- The governor has ordered a 10% across the board cut in state expenditures. This will reduce state aid funding to the district by \$100,000.
- The negotiated settlement with the Mormon Trail Education Teacher's Association for fiscal year 2010 exceeds the original increase in state aid. The District will be required to use carryover fund balances to meet the obligation. Staff reductions will need to be made for future years.
- Energy costs have decreased. The District should realize a savings of 50% per gallon on transportation and energy costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Lovett, District Secretary/Treasurer and Business Manager, Mormon Trail Community School District, Humeston, Iowa 50123.

Basic Financial Statements

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments			
Other	\$ 1,071,287	\$ 43,203	\$ 1,114,490
ISCAP	475,883	-	475,883
Receivables:			
Property tax:			
Delinquent	26,508	-	26,508
Succeeding year	1,067,152	-	1,067,152
Income surtax succeeding year	100,970	-	100,970
ISCAP accrued interest	1,689	-	-
Due from other governments	113,218	-	113,218
Accounts	29,859	-	29,859
Inventories	-	3,615	3,615
Capital assets, net of accumulated depreciation (note 5)	1,897,374	25,377	1,922,751
Total assets	4,783,940	72,195	4,854,446
Liabilities			
Accounts payable	136,373	-	136,373
Salaries and benefits payable	231,807	-	231,807
Accrued interest payable	5,683	-	5,683
ISCAP warrants payable	469,000	-	469,000
ISCAP accrued interest payable	2,466	-	2,466
Other liabilities	7,558	-	7,558
Deferred revenue:			
Succeeding year property tax	1,067,152	-	1,067,152
Succeeding year income surtax	100,970	-	100,970
Other	9,326	1,247	10,573
Long-term liabilities (note 6)			
Portion due within one year:			
Bonds payable	120,000	-	-
Capital lease	14,267	-	14,267
Portion due after one year:			
Bonds payable	535,000	-	535,000
Total liabilities	2,699,602	1,247	2,580,849
Net assets			
Invested in capital assets, net of related debt	1,222,424	25,377	1,247,801
Restricted for:			
Management levy	31,439	-	31,439
Debt service	11,918	-	11,918
Physical plant and equipment levy	192,397	-	192,397
Capital projects	454,645	-	454,645
Other special revenue purposes	55,023	-	55,023
Categorical funding	14,174	-	14,174
Unrestricted	102,318	45,571	147,889
Total net assets	2,084,338	70,948	2,155,286

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,174,770	\$ 40,354	\$ 326,637	\$ -
Special instruction	491,219	5,416	114,882	-
Other instruction	465,766	-	-	-
	<u>2,131,755</u>	<u>45,770</u>	<u>441,519</u>	<u>-</u>
Support Service:				
Student services	81,412	25,998	25,485	-
Instructional staff services	188,259	-	-	-
Administration services	268,503	-	21,421	-
Operating and maintenance of plant services	328,117	-	-	-
Transportation services	192,465	-	-	-
	<u>1,058,756</u>	<u>25,998</u>	<u>46,906</u>	<u>-</u>
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	82,989	-	-	-
Long-term debt interest	34,856	-	-	-
AEA flowthrough	105,371	-	105,371	-
	<u>223,216</u>	<u>-</u>	<u>105,371</u>	<u>-</u>
Total governmental activities	3,413,727	71,768	593,796	-
Business type activities:				
Non-instructional programs:				
Nutrition services	137,407	49,917	86,524	-
	<u>137,407</u>	<u>49,917</u>	<u>86,524</u>	<u>-</u>
Total primary government	<u>3,551,134</u>	<u>121,685</u>	<u>680,320</u>	<u>-</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business type Activities	Total
\$ (807,779)	\$ -	\$ (807,779)
(370,921)	-	(370,921)
(465,766)	-	(465,766)
(1,644,466)	-	(1,644,466)
(29,929)	-	(29,929)
(188,259)	-	(188,259)
(247,082)	-	(247,082)
(328,117)	-	(328,117)
(192,465)	-	(192,465)
(985,852)	-	(985,852)
-	-	-
(82,989)	-	(82,989)
(34,856)	-	(34,856)
-	-	-
(117,845)	-	(117,845)
(2,748,163)	-	(2,748,163)
-	(966)	(966)
-	(966)	(966)
(2,748,163)	(966)	(2,749,129)

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Continued from previous page				
General Revenues:				
Totals from pages 11 and 12	\$ 3,551,134	\$ 121,685	\$ 680,320	\$ -
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted intermediate grants				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
	Governmental Activities	Business type Activities	Total
\$	(2,748,163)	\$ (966)	\$ (2,749,129)
	936,781	-	936,781
	68,288	-	68,288
	109,957	-	109,957
	156,929	-	156,929
	-	-	-
	1,113,493	-	1,113,493
	15,894	330	16,224
	84,067	-	84,067
	2,485,409	330	2,485,739
	(262,754)	(636)	(263,390)
	2,347,092	71,584	2,418,676
	2,084,338	70,948	2,155,286

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets and Other Debits					
Cash and pooled investments					
Other	\$ 377,504	\$ 11,918	\$ 406,275	\$ 275,590	\$ 1,071,287
ISCAP	475,883	-	-	-	475,883
Receivables:					
Property tax:					
Current year delinquent	23,332	-	-	3,176	26,508
Succeeding year	960,194	-	-	106,958	1,067,152
Income surtax succeeding year	100,970	-	-	-	100,970
ISCAP accrued interest	1,689	-	-	-	1,689
Due from other governments	64,848	-	48,370	-	113,218
Accounts	28,174	-	-	1,685	29,859
Total assets and other debits	2,032,594	11,918	454,645	387,409	2,886,566
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	134,781	-	-	1,592	136,373
Salaries and benefits payable	231,807	-	-	-	231,807
ISCAP warrants payable	469,000	-	-	-	469,000
ISCAP accrued interest payable	2,466	-	-	-	2,466
Other liabilities	7,558	-	-	-	7,558
Deferred revenue:					
Succeeding year property tax	960,194	-	-	106,958	1,067,152
Succeeding year income surtax	100,970	-	-	-	100,970
Other	9,326	-	-	-	9,326
Total liabilities	1,916,102	-	-	108,550	2,024,652
Fund balances:					
Reserved for:					
Debt service	-	11,918	-	-	11,918
Categorical funding	14,174	-	-	-	14,174
Unreserved	102,318	-	454,645	278,859	835,822
Total fund balances	116,492	11,918	454,645	278,859	861,914
Total liabilities and fund balances	2,032,594	11,918	454,645	387,409	2,886,566

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances of governmental funds (pg. 15)	\$ 861,914
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,897,374
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,683)
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Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(669,267)</u>
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Net assets of governmental activities (pg. 10)	<u><u>\$ 2,084,338</u></u>
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See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 994,596	\$ -	\$ 156,929	\$ 120,430	\$ 1,271,955
Tuition	39,173	-	-	-	39,173
Other	48,160	-	4,890	79,506	132,556
Intermediate	33,732	-	-	-	33,732
State sources	1,494,200	-	-	-	1,494,200
Federal sources	179,357	-	-	-	179,357
Total revenues	2,789,218	-	161,819	199,936	3,150,973
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,152,300	-	-	-	1,152,300
Special instruction	491,219	-	-	-	491,219
Other instruction	398,651	-	-	67,115	465,766
	2,042,170	-	-	67,115	2,109,285
Support services:					
Student services	67,038	-	-	14,374	81,412
Instructional staff services	182,662	-	-	-	182,662
Administration services	251,198	-	-	17,305	268,503
Operation and maintenance of plant services	240,741	-	-	32,178	272,919
Transportation services	127,362	-	-	55,907	183,269
	869,001	-	-	119,764	988,765
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	-	82,989	82,989
Long-term debt:					
Principal	-	133,300	-	-	133,300
Interest and fiscal charges	-	36,532	-	-	36,532
AEA flowthrough	105,371	-	-	-	105,371
	105,371	169,832	-	82,989	358,192
Total expenditures	3,016,542	169,832	-	269,868	3,456,242
Excess (deficiency) of revenues over (under) expenditures	(227,324)	(169,832)	161,819	(69,932)	(305,269)
Other financing sources:					
Interfund transfers	-	169,832	(154,527)	(15,305)	-
Net change in fund balances	(227,324)	-	7,292	(85,237)	(305,269)
Fund balances beginning of year	343,816	11,918	447,353	364,096	1,167,183
Fund balances end of year	116,492	11,918	454,645	278,859	861,914
See notes to financial statements.					

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net change in fund balances - total governmental funds (pg. 17) \$ (305,269)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	-	
Depreciation expense	(92,461)	
	(92,461)	(92,461)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	133,300
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,676

Change in net assets of governmental activities (pg. 14)	<u><u>\$ (262,754)</u></u>
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See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 43,203
Accounts receivable	-
Inventories	3,615
Capital assets, net of accumulated depreciation	<u>25,377</u>
Total assets	<u>72,195</u>
Liabilities	
Salaries and benefits payable	-
Other liabilities	<u>1,247</u>
Total liabilities	<u>1,247</u>
Net Assets	
Invested in capital assets, net of related debt	25,377
Unrestricted	<u>45,571</u>
Total net assets	<u><u>\$ 70,948</u></u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2009

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 49,917</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	49,124
Benefits	6,820
Purchased services	8,400
Supplies	64,700
Other	2,543
Depreciation	<u>5,820</u>
Total operating expenses	<u>137,407</u>
Operating loss	<u>(87,490)</u>
Non-operating revenues:	
State sources	1,716
Federal sources	84,808
Local sources	<u>330</u>
Total non-operating revenues	<u>86,854</u>
Changes in net assets	(636)
Net assets beginning of year	<u>71,584</u>
Net assets end of year	<u><u>\$ 70,948</u></u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of meals	\$ 50,470
Cash payments to employees for services	(55,944)
Cash payments to suppliers for goods or services	(66,761)
Net cash used by operating activities	<u>(72,235)</u>
Cash flows from non-capital financing activities:	
State grants received	1,716
Federal grants received	78,534
Net cash provided by non-capital financing activities	<u>80,250</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>330</u>
Net increase in cash and cash equivalents	8,345
Cash and cash equivalents at beginning of year	<u>34,858</u>
Cash and cash equivalents at end of year	<u><u>43,203</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(87,490)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	6,274
Depreciation	5,820
Decrease in inventory	2,609
Increase in deferred revenue	552
Net cash used by operating activities	<u><u>(72,235)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$6,961

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies

Mormon Trail Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Derby, Garden Grove, Humeston and LeRoy, Iowa, and the predominate agricultural territory in Wayne, Decatur, Lucas and Clarke Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mormon Trail Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Mormon Trail Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the accrual basis.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½ % per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$5,000
Buildings	5,000
Improvement other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$525,952

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail for interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$154,528
Debt Service	PPEL	<u>15,305</u>
		<u>169,833</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to collect the resources required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flows needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 182,308	\$ 1,653	\$ 180,000	\$ 2,367
2009-10A	6/25/09	6/23/10	293,576	36	289,000	99
Total			475,884	1,689	469,000	2,466

The District pledges its state foundation aid payments and General Fund receipts as security for warrant issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09B	\$ -	\$ 65,000	\$ 65,000	\$ -
2009-10A	-	-	-	-
Total	0	65,000	65,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09B	3.000%	2.110%
2009-10A	2.500%	.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 16,220	-	-	16,220
Total capital assets not being depreciated	16,220	-	-	16,220
Capital assets being depreciated:				
Buildings	2,770,260	-	-	2,770,260
Improvements other than buildings	-	-	-	-
Furniture and equipment	815,865	-	18,650	797,215
Total capital assets being depreciated	3,586,125	-	18,650	3,567,475
Less accumulated depreciation for:				
Buildings	882,337	55,198	-	937,535
Improvements other than buildings	-	-	-	-
Furniture and equipment	730,173	37,263	18,650	748,786
Total accumulated depreciation	1,612,510	92,461	18,650	1,686,321
Total capital assets being depreciated, net	1,973,615	(92,461)	-	1,881,154
Governmental activities capital assets, net	1,989,835	(92,461)	-	1,897,374
Business type activities:				
Furniture and equipment	149,073	-	-	149,073
Less accumulated depreciation	(117,876)	(5,820)	-	(123,696)
Business type activities capital assets, net	31,197	(5,820)	-	25,377

Depreciation expense was charged to the following functions:

Instruction:	
Regular	22,470
Support services:	
Instruction	5,597
Operation and maintenance	55,198
Transportation	9,196
Total depreciation expense - governmental activities	92,461
Business type activities:	
Food service operations	\$ 5,820

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 775,000	-	120,000	655,000	120,000
Lease/purchase financing	27,567	-	13,300	14,267	14,267
	<u>\$ 802,567</u>	<u>-</u>	<u>133,300</u>	<u>669,267</u>	<u>134,267</u>

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Bond Issue of June 1, 1996				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.35%	120,000	28,908	148,908
2011	4.35%	130,000	23,688	153,688
2012	4.35%	130,000	18,032	148,032
2013	4.45%	135,000	12,378	147,378
2014	4.55%	140,000	6,370	146,370
Total		<u>655,000</u>	<u>89,376</u>	<u>744,376</u>

Capital Lease Financing

The District entered into capital lease financing with Apple, Inc. at 2.9% for the purchase of computers. Payment of the capital lease will be made from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital lease financing are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	2.90%	14,267	1,037	15,304

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$153,009, \$125,191 and \$124,982, respectively, equal to the required contributions for each year.

(8) Risk Management

Mormon Trail Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$105,371 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

Required Supplementary Information

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amount Original	Variance Favorable (Unfavorable)
Revenues:					
Local sources	\$ 1,443,684	\$ 50,247	\$ 1,493,931	\$ 1,602,887	\$ (108,956)
Intermediate sources	33,732	-	33,732	50,000	(16,268)
State sources	1,494,200	1,716	1,495,916	1,629,075	(133,159)
Federal sources	179,357	84,808	264,165	188,300	75,865
Total revenues	3,150,973	136,771	3,287,744	3,470,262	(182,518)
Expenditures:					
Instruction	2,109,285	-	2,109,285	2,120,231	10,946
Support services	988,765	-	988,765	1,269,500	280,735
Non-instructional programs	-	137,407	137,407	208,268	70,861
Other expenditures	358,192	-	358,192	398,056	39,864
Total expenditures	3,456,242	137,407	3,593,649	3,996,055	402,406
Excess (deficiency) of revenues over (under) expenditures	(305,269)	(636)	(305,905)	(525,793)	219,888
Other financing sources	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(305,269)	(636)	(305,905)	(525,793)	219,888
Balances beginning of year	1,167,183	71,584	1,238,767	1,233,455	5,312
Balances end of year	861,914	70,948	932,862	707,662	225,200

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2009

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 31,322	\$ 55,023	\$ 189,245	\$ 275,590
Receivables:				
Property tax:				
Current year delinquent	1,375	-	1,801	3,176
Succeeding year	36,000	-	70,958	106,958
Accounts	-	-	1,685	1,685
Total assets	68,697	55,023	263,689	387,409
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	1,258	-	334	1,592
Due to other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	36,000	-	70,958	106,958
Total liabilities	37,258	-	71,292	108,550
Fund equity:				
Fund balances:				
Unreserved, undesignated fund balance	31,439	55,023	192,397	278,859
Total liabilities and fund equity	68,697	55,023	263,689	387,409

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2009

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 52,142	\$ -	\$ 68,288	\$ 120,430
Other	6,056	66,874	6,576	79,506
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	58,198	66,874	74,864	199,936
Expenditures:				
Current				
Instruction:				
Other instruction	-	66,781	334	67,115
Support services:				
Instruction	14,374	-	-	14,374
Administrative support	15,202	-	2,103	17,305
Plant operation	27,860	-	4,318	32,178
Student transportation	979	-	54,928	55,907
Other expenditures:				
Facilities acquisition	-	-	82,989	82,989
Total expenditures	58,415	66,781	144,672	269,868
Excess of revenues over expenditures	(217)	93	(69,808)	(69,932)
Other financing sources:				
Transfer out	-	-	(15,305)	(15,305)
Fund balance beginning of year	31,656	54,930	277,510	364,096
Fund balance end of year	31,439	55,023	192,397	278,859

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 15,994	\$ 20,069	\$ 19,889	\$ 16,174
Activites Club	2,892	-	951	1,941
Drama/Play	3,430	617	461	3,586
Cheerleaders	10	-	-	10
Flags	591	3,412	3,689	314
FCCLA	(23)	9,623	8,666	934
FFA	283	38	30	291
Band/Chorus	1,480	-	-	1,480
JR/SR Incentive	13,327	10,479	8,931	14,875
Elementary Activities	6,842	6,817	6,582	7,077
Class of 2007	397	-	-	397
Class of 2008	842	-	-	842
Class of 2009	4,272	598	4,870	-
Class of 2010	2,533	6,339	6,815	2,057
Class of 2011	2,060	5,313	2,708	4,665
Class of 2012	-	3,569	3,189	380
Totals	54,930	66,874	66,781	55,023

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	2009	2008	2007	2006
Revenues:				
Local sources:				
Local tax	\$ 1,271,955	\$ 1,245,963	\$ 1,241,798	\$ 1,242,170
Tuition	39,173	56,670	70,019	50,896
Other	132,556	175,949	184,842	146,636
Intermediate sources	33,732	22,931	26,421	68,382
State sources	1,494,200	1,656,170	1,464,411	1,533,905
Federal sources	179,357	114,103	172,366	160,886
Total	3,150,973	3,271,786	3,159,857	3,202,875
Expenditures:				
Instruction:				
Regular instruction	1,152,300	1,205,503	1,105,545	1,150,088
Special instruction	491,219	488,687	389,476	460,637
Other instruction	465,766	238,906	360,899	174,357
Support services:				
Student services	81,412	79,573	141,933	146,071
Instructional staff services	182,662	138,762	113,490	58,777
Administration services	268,503	315,970	252,910	280,664
Operation and maintenance of plant services	272,919	274,443	235,696	212,266
Transportation services	183,269	208,698	248,492	179,478
Central support	-	-	-	-
Non-instructional programs	-	1,863	-	653
Other expenditures:				
Facilities acquisition	82,989	-	-	2,260
Long-term debt:				
Principal	133,300	115,000	105,000	100,000
Interest and other charges	36,532	39,130	48,482	52,783
AEA flowthrough	105,371	103,270	92,955	94,462
Total	3,456,242	3,209,805	3,094,878	2,912,496

See accompanying independent auditor's report.

2005	2004	2003	2002	2001	2000
\$1,242,170	\$ 1,151,258	\$ 1,189,214	\$ 1,017,701	\$ 1,024,422	\$ 964,487
50,896	58,020	85,818	76,066	71,467	27,688
146,636	137,231	128,204	128,842	176,440	239,657
68,382	92,639	62,147	72,355	66,301	43,856
1,533,905	1,332,111	1,280,173	1,376,567	1,437,142	1,545,582
160,886	152,784	151,981	84,733	127,614	225,598
3,202,875	2,924,043	2,897,537	2,756,264	2,903,386	3,046,868
1,150,088	1,138,634	1,110,084	1,149,570	1,051,218	1,199,951
460,637	401,718	383,664	357,681	394,387	280,846
174,357	234,833	220,908	259,211	247,760	335,154
146,071	134,518	132,075	134,218	134,489	129,769
58,777	71,798	83,543	39,527	38,463	49,099
280,664	339,907	302,009	289,468	262,031	249,478
212,266	254,451	176,355	188,983	191,636	171,074
179,478	167,915	160,288	189,115	210,854	211,155
-	-	32,982	27,975	24,703	22,835
653	-	-	-	-	127,808
2,260	-	26,264	136,635	124,043	38,685
100,000	85,000	80,000	70,000	70,000	60,000
52,783	74,724	80,192	85,090	89,764	94,096
94,462	89,860	94,660	95,978	101,418	101,820
2,912,496	2,993,358	2,883,024	3,023,451	2,940,766	3,071,770

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Mormon Trail Community School District:

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 16, 2009, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mormon Trail Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mormon Trail Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Mormon Trail Community School District's financial statements that is more than inconsequential will not be prevented or detected by Mormon Trail Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Mormon Trail Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mormon Trail Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mormon Trail Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mormon Trail Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mormon Trail Community School District and other parties to whom Mormon Trail Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Mormon Trail Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

October 16, 2009

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

Other Findings Related to Statutory Reporting:

IV-A-09 Certified Budget – District disbursements for the year ended June 30, 2009 did not exceed the amount budgeted.

IV-B-09 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions – Business transactions between the District and District officials are stated as follows:

Brad Funk, Board Member		
Laura Funk, Spouse	Supplies	\$3.00

In accordance with Attorney General Opinion dated November 9, 1976 the above transaction with the Board Member's spouse does not appear to present a conflict of interest.

IV-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes – I noted no transactions requiring Board approval which had not been approved by the Board.

IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-09 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-09 Certified Annual Report – The Certified Annual Report will be filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

IV-L-09 Student Activity Accounts – There were two accounts with no activity during the year and no expected future activity, Class of 2007 and 2008.

Recommendation – These accounts should be closed.

Response – We will take under advisement.

Conclusion – Response accepted.